

BABERGH DISTRICT COUNCIL

FROM: HEAD OF FINANCE

REPORT NUMBER **F77**

TO: OVERVIEW & SCRUTINY
(STEWARDSHIP)

DATE OF MEETING 29 August 2006

REVENUE BUDGET – QUARTERLY MONITORING REPORT

1. SUMMARY

The first quarterly review of expenditure and income against budgets for 2006/07 has been undertaken and key points are highlighted. The report also sets out how budget monitoring arrangements are being strengthened to ensure a more comprehensive picture of how this links with the council's performance management and key operational indicators. This is part of the council's overall Use of Resources Action plan and the Committee will be advised further on this at their next meeting.

2. RECOMMENDATIONS

- 2.1 That members note the position on 2006/07 budget variations in Appendix 1 and the key areas highlighted in sections 4.3 to 4.7 of the report.
- 2.2 That officers continue to work with Heads of Service on action plans to deal with any unfavourable variations.
- 2.3 That the proposed strengthening of the council's budget and performance monitoring arrangements are noted and that further details in relation to this are included in the next quarterly monitoring report to Members.

The Committee is able to resolve these matters.

3. FINANCIAL IMPLICATIONS

- 3.1 It is difficult to predict the likely outcome for the year after only three months but officers continue to focus on key risk areas in order to identify any early indications of potential budget variations that have already arisen or will potentially arise during the year.
- 3.2 The first quarter's monitoring report suggests that most of the variations that have arisen in the first three months of the year should not lead to significant variations at the year-end. However, there are some areas where savings or additional income may be expected. There are no major areas at this stage where it appears that expenditure is likely to exceed the budget. Details are set out in Appendix 1.
- 3.3 Progress on service priorities and projected savings in the Policy and Budget Framework has also been reviewed for the quarter. These are generally progressing as planned in most areas, although some savings compared to the amounts included in the budget may be expected.

4. **KEY INFORMATION**

- 4.1 Many of the budget variations at the end of the quarter (as is the case at any point in time during the year) result from the timing of expenditure and income being different to expectations in the budget. Officers make their best possible assessment of the likely pattern of income and expenditure during the budget setting process, though inevitably, actual costs and income do not always match that.
- 4.2 In view of the above, Appendix 1 removes these timing variations and concentrates on areas where there is an actual variation compared to budget at the end of the first quarter, with comments explaining our best assessment of the true variations identified to date.
- 4.3 The main points to highlight from this in relation to the General Fund are set out below. Although there are a number of other variations shown, the expectation at this stage is that income and expenditure will be close to budget by the end of the year:-
- Savings on the salary bill as a result of vacancies etc. are in line with expectations. The overall picture for the year will be influenced by the Review of the Organisational staffing structure and the Service & Financial Planning (SFP) Member Group will be considering the position on this as part of their work programme.
 - Investment income is higher than budget by £18,400 for the quarter, and provided that interest rates remain at around current levels, this should project into a £70,000 surplus by the end of the year.
 - Local land charges income is 20% higher than budget due to an increase in the number of official searches required and a faster throughput rate.
 - There has been an increase in the number of Council housing void properties, resulting in increased expenditure of £15,000 this quarter.

Clearly, items 2 and 3 will have a beneficial impact on the overall budget for the year and, in the case of investment income specifically, this is also likely to benefit the 2007/08 budget. Officers and the SFP member Group will have regard to this in formulating next year's budget plans.

- 4.4 Members should also note that limited expenditure has been incurred on the CAST project and this is currently well below the budget forecasts for the year. The Strategy Committee were informed in March 2006 (Paper E286) that the net revenue cost of the project in 2006/07 was expected to reduce from £466,000 to £383,000. Officers are currently working on a further update of this forecast for presentation to the CAST Board and the Strategy Committee at the end of September.
- 4.5 A few areas are included in Appendix 1 even though there is no significant variation to report. This has been done in order to keep the Committee informed on areas of general interest, such as waste schemes and sport and leisure promotion.
- 4.6 The budget reflects additional spending on service priorities, commitments, savings and additional income that was identified for 2006/07. These are generally proceeding as planned although there are two exceptions to note at the end of June:
- The service priority for the revenue implications of ICT capital schemes is now expected to cost £18,000 rather than the £34,000 previously envisaged. This is generally due to projects not requiring funding until 2007/08 onwards.
 - The commitment of £30,000 for a reduction of interest on reserve balances is unlikely to be needed, since reserves at the end of 2005/06 were better than expected (this reduction is included in the investment income position mentioned above).

- 4.7 It should also be noted that other variations may arise that have not yet been identified. For example, officers are currently reviewing areas where under or overspendings arose in 2005/06 to see if any of these are likely to continue this year.
- 4.8 Other than the investment income, there are no significant over or underspends at this point in time that were not identified as a risk in the council's budget risk assessment agreed as part of the reserves strategy when the budget was approved. Specifically, however, it will be important that officers continue to closely monitor the savings and additional income reflected in the budget.
- 4.9 Clearly, budget monitoring is an important aspect of the council's overall financial management framework for demonstrating the effective use of resources, which is assessed by the Audit Commission as part of the overall Comprehensive Performance Assessment. We were assessed as 'performing well, consistently above minimum standards' last year but it was suggested that future budget monitoring should be related to operational activity indicators that are lead indicators of (net) spending requirements.
- 4.10 An initial exercise has been undertaken to identify a list of potential indicators that are felt to be most appropriate for this council and these are set out in Appendix 2. These require further thought in terms of the practicality and benefit of collecting such data and the list will be reviewed further before the next report is produced for the November meeting of the Committee. Information relating to the final proposed set of indicators will be incorporated in that report and it is also intended that performance and budget data should be combined into one overall report.

5. **APPENDICES**

- (1) Explanations of key variations
- (2) Operational activity indicators

6. **BACKGROUND PAPERS REFERRED TO:**

None.

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Service Area	Original budget for year	Year-to-date budget	Year-to-date actual	Year-to-date variation	Comments	Appendix 1
	£'000	£'000	£'000	£'000		

Explanations of key variations: 2006/07 quarter 1					Adverse/ (favourable)	
Environmental						
Twin Bin Scheme	281.4	110.0	128.8	18.8	£8.8k more paid out on Joint waste contract consultancy fees although these are forecast at budget levels for the year. In addition, higher gate fees of £10k early in the year, which will be recovered through increased income before the year end.	
Green Waste Scheme	56.3	(65.1)	(76.9)	(11.8)	This is the net effect of an increased number of households taking up the service and a greater percentage of waste sent for composting. However, this additional income will be balanced by increased expenditure on gate fees and contractor payments later in the year.	
Street Cleansing	601.0	153.3	142.2	(11.1)	More income for recharges to Parishes for emptying litter/dog dirt bins of £4.1k and fewer abandoned cars, saving £2.5k. The number of abandoned vehicles investigated and removed within 24 hours is lower than target, which impacts on the reduced income. The remaining variance represents payments to contractors for street cleansing but it is forecast this aspect will be at budget levels for the year.	
Cultural						
Sport & Leisure Promotion	176.2	43.8	(7.8)	(51.6)	The "Be Active" Beacon Award grant of £48k has been received in June 2006. This will be spent during the year. The remaining underspend represents expenditure on the Youth Strategy, which will also be spent later in the year.	
Sport & Recreation Grants	89.5	3.8	(8.4)	(12.2)	Sports centre grants to be claimed. These will be paid later this year.	
Parks & Open Spaces	274.2	70.8	36.7	(34.1)	Grounds maintenance contract bills not yet received of £27.1k and tree maintenance and repairs costs, which have not yet been incurred but are expected during the year.	

Service Area	Original budget for year	Year-to-date budget	Year-to-date actual	Year-to-date variation	Comments	Appendix 1
	£'000	£'000	£'000	£'000		
Amenity Areas	373.4	70.7	46.9	(23.8)	As above, grounds maintenance contract bills not yet received of £17.5k and horticultural costs, which have not yet been incurred but are expected during the year.	
Culture & Heritage	135.5	37.4	5.2	(32.2)	Arts Council funding for the Gt.Cornard Anglia Estates project which will be spent over the coming months.	

Housing						
Council Tax & Housing Benefits	458.0	1481.9	1340.6	(141.3)	Government grant received for Housing Benefit training of £17.3k, which has not yet been spent The remaining variance is mainly housing benefit payments being less than predicted in the early part of the year but which are expected to increase to budget levels by the year end.	
Contact Care	4.2	(63.1)	(76.7)	(13.6)	The community alarm monitoring charge for 2005/06 has been in dispute, and therefore has not been paid. This has now been resolved and will be paid once a bill for the agreed amount has been received.	
Affordable Housing	182.1	30.9	49.1	18.2	In-house Architects have spent a great deal of time on housing feasibilities in the first three months of the year. As these feasibilities translate into live projects, the increased expenditure will be recovered in fees from the appropriate Housing Association.	
Central Services						
Customer Access and Service Transformation	54.0	30.5	(82.8)	(113.3)	This reflects the lower number of Business Process Re-engineering reviews in 2006/07, which means that expenditure on external consultancy support, implementation teams and cover for staff backfill is not being incurred although less staff savings are also projected.	
NNDR Collection	86.7	33.6	(39.6)	(73.2)	Discretionary Rate Relief for last year which is payable this year.	
Local Land Charges	(16.3)	(4.5)	(20.7)	(16.2)	More official searches processed in the first quarter than last year, resulting in increased income. Performance information also shows that more searches are being carried out in 10 working days than the target for the year.	

Service Area	Original budget for year	Year-to-date budget	Year-to-date actual	Year-to-date variation	Comments	Appendix 1
	£'000	£'000	£'000	£'000		
Corporate areas						
Salary costs	8,990.1	2,382.1	2,332.1	(50.0)	This is in line with the savings expectation allowed for in the budget due to vacancies etc.	
Staff training	203.1	50.8	17.7	(33.1)	Corporate training and training in various Divisions not yet undertaken but likely to be incurred before the end of the year.	
Recruitment costs	94.2	23.5	19.0	(4.5)	Recruitment costs in various Divisions are expected to be incurred before the end of the year.	
Investment income	(311.0)	(77.7)	(96.1)	(18.4)	Higher interest income from investments in the first quarter.	
Business Rate Growth	(35.0)	0	27.9	27.9	Babergh's proportion of Suffolk's Local Public Service Agreement Performance Reward Grant will be £55.8k, receivable in the next month or two. Half of this, £27.9k relates to 2005/06. There may, therefore, be a budget shortfall for this year will of around £7k depending on finalisation of the cost effectiveness part of the reward grant	

Service Area	Original budget for year £'000	Year-to-date budget £'000	Year-to-date actual £'000	Year-to-date variation £'000	Comments	Appendix 1
Housing Revenue Account	Original budget for year £'000	Year-to-date budget £'000	Year-to-date actual £'000	Year-to-date variation £'000	Comments	
Repairs and maintenance of council properties	1,872.8	397.1	517.3	120.2	Pre-paint repair and external painting work is being progressed early in the year, with completion expected by early October. This accounts for £82.2k of the variance for this quarter, although the budget will not be exceeded for the year. Increase in the number of void properties - by the end of July 90 properties have been repaired compared to a profile of 75 units, accounting for £15k of the overspend. The rest of the variation represents maintenance work that at present is not expected to overspend by the end of the year.	
Supervision & Management – Special Services	1571.4	384.2	279.7	(104.5)	Grounds maintenance contract bills are awaited £(32.0k), and management contract bills from a Housing Association for two very sheltered units not yet received for the quarter.	

Appendix 2

Budget monitoring - Potential list of key operational indicators

- Numbers of planning, building control licensing and other applications – impact on income from fees and charges
- Numbers of abandoned vehicles and pest control requests
- Additional number of ‘non-core’ waste contract requests
- Number of trade waste customers/volume of waste collected (income/disposal charges)
- Volumes of recyclable materials – bring sites and MRF (recycling credits/gate fees)
- Composting and waste minimisation activity
- Green Waste Scheme – numbers of subscribers
- Numbers/average value of responsive repair requests (Council Housing and Corporate buildings)
- Progress on sports and leisure promotion activities, Arts Development and Youth Strategy projects
- Numbers of potential planning inquiries/appeals
- Economic Development/CEP – numbers of grant/loan applications
- Starter Unit vacancies
- Car Parks – excess notices issued
- Concessionary Fares – number of passes/travel vouchers issued
- Housing and Council Tax benefit case numbers
- Contact Care service – numbers of subscribers
- Numbers of current Housing Association schemes completed using Babergh design services
- Numbers of homelessness/ B&B placements
- Central printing – Numbers of copies (Committee papers/other)
- CAST project – implementation plans
- Council Tax – summonses issued
- Business Rates – Numbers/average values of discretionary rate relief cases/new applications
- House sales – Land charge searches